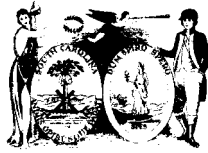


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

(803) 253-4160  
FAX (803) 343-0723

October 23, 2002

Mrs. Myria A. Polydorou, Vice President - Finance  
Health Care Corporation  
Post Office Box 5419  
Spartanburg, South Carolina 29304

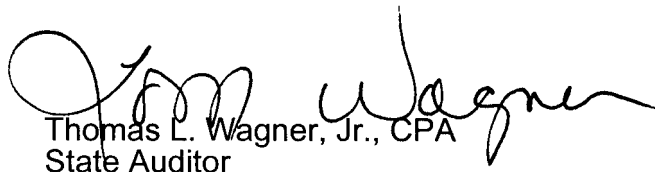
Re: AC# 3-CAL-J0 – Calhoun Convalescent Center, Inc.

Dear Mrs. Polydorou:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1999 through September 30, 2000. That report was used to set the rate covering the contract period beginning October 1, 2001.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Joseph P. Hayes

**CALHOUN CONVALESCENT CENTER, INC.**

**ST. MATTHEWS, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2001  
AC# 3-CAL-J0**

**AGREED-UPON PROCEDURES REPORT**

**ON CONTRACT**

**FOR**

**PURCHASE OF NURSING CARE SERVICES**

**WITH**

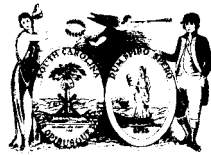
**STATE OF SOUTH CAROLINA**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

## **CONTENTS**

	<b><u>EXHIBIT OR SCHEDULE</u></b>	<b><u>PAGE</u></b>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 2001	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2001 THROUGH SEPTEMBER 30, 2002	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2000	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	9

# State of South Carolina



## Office of the State Auditor

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 10, 2002

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Calhoun Convalescent Center, Inc., for the contract period beginning October 1, 2001, and for the twelve month cost report period ended September 30, 2000, as set forth in the accompanying schedules. The management of Calhoun Convalescent Center, Inc. is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

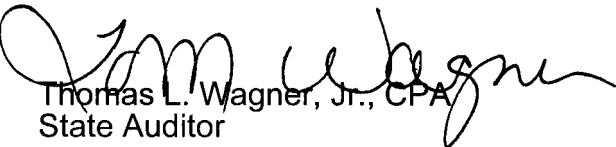
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Calhoun Convalescent Center, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Calhoun Convalescent Center, Inc. dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
September 10, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

**CALHOUN CONVALESCENT CENTER, INC.**

Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2001  
AC# 3-CAL-J0

10/01/01-  
09/30/02

Interim Reimbursement Rate (1)	\$94.93
Adjusted Reimbursement Rate	<u>94.40</u>
Decrease in Reimbursement Rate	\$ <u><u>.53</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002

**CALHOUN CONVALESCENT CENTER, INC.**

Computation of Adjusted Reimbursement Rate

For the Contract Period October 1, 2001 Through September 30, 2002  
AC# 3-CAL-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$47.14	\$58.02	
Dietary		9.47	10.74	
Laundry/Housekeeping/Maintenance		<u>8.11</u>	<u>9.23</u>	
Subtotal	\$ <u>5.46</u>	64.72	77.99	\$64.72
Administration & Medical Records	\$ <u>5.21</u>	<u>6.26</u>	<u>11.47</u>	<u>6.26</u>
Subtotal		70.98	\$ <u>89.46</u>	70.98
<u>Costs Not Subject to Standards:</u>				
Utilities		2.29		2.29
Special Services		.15		.15
Medical Supplies & Oxygen		3.82		3.82
Taxes and Insurance		1.39		1.39
Legal Fees		<u>.02</u>		<u>.02</u>
<b>TOTAL</b>		\$ <u>78.65</u>		78.65
Inflation Factor (3.80%)				2.99
Cost of Capital				8.26
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.75
Cost Incentive				5.46
Effect of \$1.75 Cap on Cost/Profit Incentives				(6.46)
Nurse Aide Staffing Add-On 10/01/2000				<u>2.75</u>
 ADJUSTED REIMBURSEMENT RATE				 \$ <u>94.40</u>

**CALHOUN CONVALESCENT CENTER, INC.**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2000  
AC# 3-CAL-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,032,986	\$ -	\$ -	\$2,032,986
Dietary	408,250	-	-	408,250
Laundry	95,359	-	-	95,359
Housekeeping	157,792	-	-	157,792
Maintenance	96,484	-	-	96,484
Administration & Medical Records	298,340	4,440 (6)	32,624 (1)	270,156
Utilities	98,868	-	-	98,868
Special Services	6,453	-	-	6,453
Medical Supplies & Oxygen	164,748	-	-	164,748
Taxes and Insurance	59,743	-	-	59,743
Legal Fees	780	-	-	780
Cost of Capital	349,792	729 (2) 4,858 (3) 354 (4) <u>710 (5)</u>	-	356,443
Subtotal	3,769,595	11,091	32,624	3,748,062



**CALHOUN CONVALESCENT CENTER, INC.**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2000  
AC# 3-CAL-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Ancillary	36,939	-	-	36,939
Non-Allowable	128,285	32,624 (1)	729 (2) 4,858 (3) 354 (4) 710 (5) <u>4,440 (6)</u>	149,818
	<u>                    </u>	<u>                    </u>		<u>                    </u>
Total Operating Expenses	\$ <u>3,934,819</u>	\$ <u>43,715</u>	\$ <u>43,715</u>	\$ <u>3,934,819</u>
Total Patient Days	<u>43,131</u>	<u>-</u>	<u>-</u>	<u>43,131</u>
TOTAL BEDS	<u>120</u>			

**CALHOUN CONVALESCENT CENTER, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 2000  
AC# 3-CAL-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Administration	\$32,624	\$32,624
	To remove working capital interest expense HIM-15-1, Section 202.2		
2	Cost of Capital	729	
	Fixed Assets	12,939	
	Accumulated Depreciation		10,507
	Other Equity		2,432
	Nonallowable		729
	To properly include assets in use HIM-15-1, Section 130		
3	Cost of Capital	4,858	
	Nonallowable		4,858
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
4	Cost of Capital	354	
	Nonallowable		354
	To adjust amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
5	Cost of Capital	710	
	Nonallowable		710
	To adjust capital return State Plan, Attachment 4.19D		

**CALHOUN CONVALESCENT CENTER, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 2000  
AC# 3-CAL-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Administration Nonallowable	4,440	4,440
	To allow accounting fees State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$56,654</u>	<u>\$56,654</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**CALHOUN CONVALESCENT CENTER, INC.**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2002  
AC# 3-CAL-J0

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.3848</u>	<u>2.3848</u>	
Deemed Asset Value (Per Bed)	37,246	37,246	
Number of Beds	<u>88</u>	<u>32</u>	
Deemed Asset Value	3,277,648	1,191,872	
Improvements Since 1981	196,692	3,498	
Accumulated Depreciation at 9/30/00	<u>(914,887)</u>	<u>(152,824)</u>	
Deemed Depreciated Value	2,559,453	1,042,546	
Market Rate of Return	<u>.058</u>	<u>.058</u>	
Total Annual Return	148,448	60,468	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	148,448	60,468	
Depreciation Expense	82,669	55,867	
Amortization Expense	4,960	4,031	
Capital Related Income Offsets	-	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	236,077	120,366	\$356,443
Total Patient Days (Actual)	<u>31,629</u>	<u>11,502</u>	<u>43,131</u>
Cost of Capital Per Diem	\$ <u>7.46</u>	\$ <u>10.46</u>	\$ <u>8.26</u>

**CALHOUN CONVALESCENT CENTER, INC.**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2002  
AC# 3-CAL-J0

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$ 7.79	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$11.78</u>	<u>\$10.46</u>
Reimbursable Cost of Capital Per Diem		\$8.26
Cost of Capital Per Diem		<u>8.26</u>
Cost of Capital Per Diem Limitation		\$ <u>-</u>

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